

INDUSTRY CIRCULAR

OFFICE OF THE COMMISSIONER OF INTERNAL REVENUE
ALCOHOL AND TOBACCO TAX DIVISION

WASHINGTON, D. C. 20543

Industry Circular No. 59-40

June 16, 1959



RETURN SYSTEM FOR PAYMENT OF TAXES ON TOBACCO PRODUCTS

Manufacturers and importers of tobacco,
cigars, and cigarettes:

Purpose. The purpose of this industry circular is to give you additional information with regard to the return system for the taxpayment of cigars, cigarettes, and manufactured tobacco.

Background. You were furnished a preliminary draft of the interim regulations with Industry Circular No. 59-37, dated May 29, 1959, so that you would be informed as to the new requirements. These regulations, 26 CFR Part 296, Subpart E, were issued as Treasury Decision 6382, and published in the Federal Register (24 F. R. 4623) of June 6, 1959, to be effective June 24, 1959. A reprint of these regulations is being furnished you under separate cover. Because of the changes brought about by the return system, it is considered necessary to bring to your attention certain information and requirements.

Bond and Extension of Coverage of Bond. To defer the payment of tax on tobacco products under the semimonthly return system, manufacturers must file an extension of coverage of bond as required by section 296.117 of the regulations, and bond in an increased amount, if necessary under the provisions of section 296.116. You are again reminded that these documents should be timely filed with the assistant regional commissioner so that he may approve them by June 24, 1959. Otherwise, manufacturers are required to prepay the tax on tobacco products before removal. Such prepayment of tax requires the filing of Form 2617, as provided in section 296.113.

Filing of Tax Return. Manufacturers must be sure that all tax returns are timely filed. Manufacturers failing to file tax returns within the periods set forth in 26 CFR Part 296 will be liable to the penalties as provided by law. Manufacturers who have been purchasing tobacco tax stamps from or filing daily cigar tax returns with a branch office of a district director of internal revenue, should, on or after June 24, 1959, file their tax returns, with remittance, with the same branch office, unless otherwise advised by the assistant regional commissioner (alcohol and tobacco tax).

Packages. Because a package is defined in 26 CFR Part 296 as "The container in which tobacco products are put up by the manufacturer or importer and offered for sale or delivery to the consumer," and each such package of tobacco products removed subject to tax must bear the mark as required by section 296.120, there is no further need for provisions in regulations for subdivision parcels. Tubes of cellophane, glass, or metal, or similar containers, which hold only one cigar, are not packages within the meaning of this definition where they are sold or delivered from proper packages bearing the mark as required by section 296.120. Each package of tobacco products removed subject to tax, on or after June 24, 1959, must bear this mark regardless of the quantity of such product contained in the package. For example, 5-packs of cigars or 4-packs of cigarettes are packages and, where removed subject to tax, must bear this mark.

You are reminded that certain information now appearing on cigar, cigarette, and manufactured tobacco tax stamps will, on or after June 24, 1959, be required to be adequately stated on packages of domestic and imported packages removed subject to tax as required by section 296.120, and as described in Industry Circular No. 59-32, dated May 27, 1959. Existing stocks of packages may be used, if modified to bear the required information. Packages removed for export need not show this information, but must bear the label or notice for export purposes required by section 296.121.

Record of Removals Subject to Tax. Section 296.118 requires every manufacturer of tobacco products to keep a supporting record of tobacco products removed from his factory subject to tax, which record must include the name and address of the person to whom shipped or delivered. A manufacturer removing tobacco products to his retail store at the same location as his factory, may show, as the person to whom shipped or delivered, "Removed to retail store at factory."

Refund of Deposits. Deposits of cigar manufacturers which have been made to obtain an additional day for filing daily tax returns will be automatically refunded by the district director. It will not be necessary for manufacturers to file a claim for refund.

Inquiries. Inquiries in regard to this industry circular should refer to its number and be addressed to the office of your assistant regional commissioner (alcohol and tobacco tax).



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